



JULIE LASSA

STATE SENATOR

Testimony on Senate Bill 447
Committee on Ethics Reform and Government Operations
Wednesday, January 20, 2010
10:15 AM
400 Southeast
State Capitol

Thank you Chairman Risser and Committee Members for the opportunity to provide testimony today in support of Senate Bill 447, the Truth in State Contracting Act.

The use of outside consultants by state agencies has grown steadily over the past 20 years. Consulting contracts can be a cost-effective way to perform the work of state government. However, the use of consultants also raises the challenge of ensuring that consulting firms and their employees are providing high quality products and services in a cost-effective manner for taxpayers.

Unfortunately, there have been a number of high-profile instances in recent years in which inadequate planning, supervision and contracting practices of state agencies have led to higher costs and compromised quality. As government struggles to get the most out of every taxpayer dollar, especially in these difficult times, state agencies must examine their outsourcing practices rigorously. The Truth in State Contracting Act provides tools that will help us ensure that there is greater transparency, accountability and quality in the performance of government contracting and contracts.

The first step in this process is to gain a better understanding of how private consultants are currently being utilized in state government. Right now when we look at state agency budget documents, we can see how many state employees are working on each program, but we have no idea how many private contractors are also relied upon to provide these services.

For example, in just a two-week span in May 2009, there were 14 instances of state agencies contracting out work despite cost-benefit analyses indicating it would be cheaper to perform the work in-house with state employees. Together these fourteen instances cost taxpayers \$2.6 million more than if the work had been done by state employees. Each of these contracts justifies outsourcing based on short staffing and budgetary constraints. Legislators cannot appropriately address this issue until we have information readily available to verify what is happening in each agency. This bill requires agencies to collect and report in the biennial budget how many contractors they use and the amount of funding for these positions. The information would appear alongside state employee position and funding data. This information will give the legislature our first comprehensive look at contractor usage throughout state government.

Senate Bill 447 also strengthens cost-benefit analysis requirements to ensure that agencies accurately evaluate the true costs of both state employees and contractors. Currently agencies are required to do cost-benefit analyses on contracts over \$25,000 and may only contract out if doing so is more cost-effective or efficient. However, the definition of the term "efficient" is so vague agencies can contract out for virtually any reason regardless if it costs taxpayers more to do so.

This bill clarifies statutory language to say that state agencies may only contract out if at least two of three conditions are met: when services may be performed more economically, in a more timely manner, or when the contractor can provide certain expertise more efficiently.

Cost-benefit analyses are only valuable when they are accurate. During last week's Joint Audit Committee hearing, representatives from Department of Transportation stated that their cost benefit analyses are "rarely, probably never" accurate, in part because not all costs related to the project are considered in the analyses. We can all agree that cost-benefit analyses should not be futile paperwork, but should accurately reflect all anticipatable costs. Currently, cost-benefit analyses often attach overhead costs to state employees that are not similarly assigned to contractors. This bill requires all costs associated with both state employees and contractors to be included so that a true "apples to apples" comparison can be made. It also prohibits contractors from performing cost-benefit analyses. It requires the Department of Administration Secretary to certify the accuracy of each cost-benefit analysis. This job should be made easier given the creation of the Division of Legal Services within DOA to specifically monitor contracting issues. Agencies will also be required to perform periodic internal audits so that they can work to improve the reliability of future analyses.

Since SB 447 focuses on reforming contracting practices and saving taxpayer dollars, it also repeals certain cost-benefit analysis requirements that are of no value to agencies. The bill eliminates analyses for services that federal or state law require to be performed by contract, that must be provided per a contract, license, or warranty by an original equipment manufacturer, or services that are simply not done by state government.

Senate Bill 447 prevents agencies from circumventing a state hiring freeze or furlough by utilizing private consultants or contractors to backfill these state employee positions in that fiscal year. The state shouldn't mislead the public by saying we are cutting jobs and instituting furloughs if agencies are simply diverting these funds to hire contractors. It damages the state's credibility with taxpayers, confounds the budgeting process and demoralizes state employees who lose their jobs or suffer pay cuts. This provision does not apply to contracts funded with federal economic recovery funds. Understanding the demands placed on agencies, the bill also allows requests for exemptions from the Joint Committee on Finance for specific contracts.

SB 447 expands the time period to challenge an awarded bid from five days to seven days and allows an appeal to be submitted via electronic notification rather than by mail. The current five-day timeframe for appeals makes it difficult to provide an appropriate review of an awarded bid.

As we have seen from certain IT projects, there is little incentive for some contractors to contain costs as the state usually pays the contractor's invoice regardless of how much it is over budget. To avoid chronic cost overruns and payments for unfinished projects, this legislation prevents a contractor from being paid for costs that exceed their bid amount by more than 10 percent unless the Secretary of DOA approves payment and submits to the Joint Finance Committee his or her rationale for approval. While unexpected situations do arise and contractors should not be penalized for unforeseen circumstances, requiring the DOA Secretary's approval and JFC notification in these instances will help safeguard taxpayers from unnecessary project cost increases.

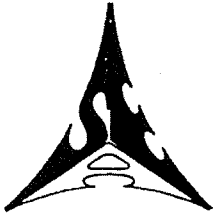
This bill also has several provisions that protect taxpayers from poor performance and fraud on the part of consultants. DOA will receive evaluations when agencies experience underperformance, and will review those evaluations during the letting of future contracts. DOA's Division of Legal Services would develop standard performance measures and uniform contract language to recoup taxpayer funds from contractors who fail to meet performance standards. The attorney general may bring suit on behalf of the state or local governments to recover any forfeiture as a result of a fraudulent claim for products or services. This language mirrors federal

law in terms of fraud involving a federally funded project. And the bill also protects individuals who cooperate with a fraud investigation from retribution.

Although it is clear that outsourcing concerns exist throughout state government, two provisions of this bill specifically target the DOT. The first requires the Department to submit a report to the Joint Finance Committee with recommendations on how the department can improve the efficiency, cost-effectiveness, and timeliness of local road improvement projects. Counties have complained about the extraordinary amount of time and cost of DOT consultants in the Local Road Improvement Program. For example one county in my district reported that an LRIP bridge project designed by a state engineer took six months and cost \$5,000 to complete while a similar consultant-designed bridge has cost \$20,000, taken over two years and is still not ready to be let. This provision will help DOT improve the delivery and cost of services that counties and local governments all across this state depend on.

The second DOT-related provision aims to address a safety concern raised in a May Legislative Audit Bureau report that revealed that the thickness and quality of concrete on highway projects has been compromised. This legislation requires DOT state employees to conduct all tests of concrete thickness on its highway improvement projects to ensure that quality standards are met.

The goal of the Truth in State Contracting Act, is to reform the process of state government contracting to ensure that there is greater transparency, more accountability, higher quality and greater cost savings. We owe it to the hard working men and women who strive to provide quality services to state taxpayers everyday, both state employees and employees of private contractors, and to all Wisconsin taxpayers, to use every tax dollar efficiently and effectively. This legislation will do just that.



State Engineering Association
4510 Regent Street
Madison, WI 53705-4963

(608)233-4696
(608)233-6766 FAX
www.wisea.org

Recommendations for Amendment to 2009 SB 447 George Mickelson - January 20, 2010

Recommendation: Define the term “efficiently” This term is retained from existing language on page 5, line 20 of the bill. Agencies currently claim that all contracts are more efficient with no justification for why.

Recommendation: Improve DOT Transparency.

The lack of transparency in DOT contracts for engineering services is well demonstrated when it is nearly impossible to find out how many contracts there were in any given fiscal year, who the contractors were and the sum of those contracts in dollars. For this reason, some additional text (underlined) is warranted in section 26 of the bill. Modify line 11 from page 24 of the bill as follows:

(13) ENGINEERING SERVICES. (a) The department

And, proposed addition to end of Section 26 in the bill is as follows:

(b) The department shall, annually on or before October 15, submit to the governor, the joint committee on finance, the joint legislative audit committee and the chief clerk of each house of the legislature for distribution to the appropriate standing committees under s. 13.172 (3), a report concerning the number, value and nature of contractual service procurements authorized under sub. (a) during the preceding fiscal year. The report shall also include, with respect to contractual service procurements for the preceding fiscal year:

1. A summary of the cost-benefit analyses completed in compliance with rules promulgated by the department.
2. Recommendations for elimination of unneeded contractual service procurements and for consolidation or resolicitation of existing contractual service procurements.

Note: The above proposed addition was modified from existing language in 16.705(8).

Recommendation: Close a Loophole at DOA.

It was an inadvertent legislative oversight that DOA engineering contracts on state facilities are exempt from 2005 Act 89. This bill is a opportunity to fix that oversight. Recommended option to correct that would be to add the underlined text to the existing statute, as follows:

16.87(2) A contract for engineering services or architectural services or a contract involving an expenditure of \$10,000 or more for construction work, or \$30,000 or more for limited trades work, to be done for or furnished to the state or a department, board, commission or officer of the state is exempt from the requirements of ss. 16.705 and 16.75, but contracts for engineering or architectural services are subject to ss. 16.705. The department shall attempt to ensure that 5% of the total amount expended under this section in each fiscal year is paid to minority businesses, as defined under s. 16.75 (3m) (a).



**Testimony of Ken Weaver - AFSCME Council 24
Before the Ethics Reform and Government Operations Committee
January 20th, 2010**

My name is Ken Weaver and I have over 30 years with the DOT as an Engineering Technician. I am also President and Chief Steward of WSEU Local 758, the Statewide Union for all 5 regions within the DOT and I also serve as AFSCME Council 24's chair of the Outsourcing Committee.

I want to thank the committee members for allowing public testimony today on Senate Bill 447, authored by Senator Lassa and co-authored by my Representative, Andy Jorgensen in the Assembly.

As chair of our Outsourcing Committee, I have personally reviewed contracts and cost benefit analysis from most of the agencies in state government that choose to outsource WSEU positions and workloads. Since the early 90's I have fought to bring light to the state's outsourcing antics because of the waste of tax dollars most outsourcing schemes represent.

As a 30 year DOT employee I have seen the DOT degenerate from a well staffed and managed agency that put the taxpayers needs first when it came to delivering construction projects on time and within budget, to a government entity that caters to the consultant industry regardless of the costs involved.

A few years ago AFSCME worked with Senator Cowles and Representative Gottlieb to create 2005 Act 89. Act 89 created a Uniform Cost-Benefit Analysis process to require agencies to implement a more true comparison of the costs involved with delivering design and construction services to the taxpayers.

Act 89 charged DOA and the DOT with the task of creating the rules that would shape the cost-benefit analysis process. The result was a process that gave us a wealth of information about the state's contracting out process, and a glimpse into how good of a steward DOT and other agencies are being with taxpayers dollars.

Our outsourcing committee has created a spreadsheet that we have shared with you today that details how the DOT goes thru the motions of cost analysis, yet resorts to always outsourcing regardless of the cost paid by Wisconsin's taxpayers.

Our committee has obtained the Uniform Cost-benefit Analysis (UCBA) for 23 randomly chosen construction and design projects being performed in 2009. We also obtained the copies of the final contracts negotiated with the consultant firm chosen by the DOT to perform the work on the same 23 projects using the State's Open Records Law.

Using the DOT's own information compiled from the UCBA's and the contracts represented we have created the spreadsheet you have. It details the UCBA estimate for the number of hours to perform the project and the estimated cost per hour.

From the DOT's signed contract with the consultant we have detailed the number of hours required to perform the contract and used the cost of the contract divided by the hours to show the real per hour cost of the signed contract. The red font in the column labeled "% over UCBA" shows the percentage over the cost analysis estimate of each contract. It ranges from 2% to over 79% more than the cost analysis estimated.

In addition we have used the in-house staff per hour estimate from the DOT's UCBA and multiplied it by the number of hours agreed to in the contract signed by the DOT with the chosen consultant firm. The final column labeled "Using In-House" shows what a real "apples to apples" comparison of consultants vs. in house costs Wisconsin's taxpayers.

Using the DOT's own data we have shown that the DOT would have saved \$1,483,552.54 if it used in-house staff to staff 22 of the 23 projects we reviewed using our simple spreadsheet.

The average savings across these 22 projects is \$67,434 per project. Using that average savings for the 350+ projects the DOT has outsourced to consultant firms, we believe \$23,601,971 may be saved if the DOT used in-house staff to perform the same duties.

I have all the consultant contracts signed by the DOT and the corresponding UCBA devised by the DOT and can provide copies to anyone interested in checking our figures.

In short our spreadsheet details how, despite the information available to them under Act 89, the DOT sugarcoats the real cost of using profit motivated outside consultant firms. SB 447 takes the next step beyond the information gathering provided by Act 89, and creates the changes in law necessary to assure the taxpayers benefit from the cost savings the UCBA process can provide when performed accurately.

We believe that the DOT has lost the ability to make long term business choices in the best interest of Wisconsin's taxpayers. To consistently make decisions that cost a state agency more than using in-house staff makes no sense in this fragile economy. It is time to begin restoring front-line positions in the DOT, take a long look at the top-heavy management and re-deploy many of those positions back into the production side of DOT operations.

Outsourcing does have a place in some situations. Blindly outsourcing without concern of the taxpayer's dollars must be stopped and the voices in the DOT that fight against the waste will not be going away. They will only become louder and more numerous as light exposes DOT outsourcing to reality.

Wisconsin's taxpayers need SB 447 now more than ever.

Thank you for your attention to this issue.

Respectfully submitted,

Ken Weaver
AFSCME/WSEU Local 758
451 London Rd.
Deerfield, WI 53531
608-764-5269

DOT COST ANALYSIS VS.CONTRACT FINAL COST COMPARISON

2009 CONTRACTS

PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
6898-04-74	ROYALTON ST	\$112,570.28	97,001.11	PER HOUR COST	72.01 x 1314 HRS
CONST SERV.	WAUPACA	1626 HRS = 68.98/HR	1314 HRS=73.82/HR	7.0 % OVER UCBA	\$94,621.14
					SAVE \$2,379.97
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
5992-06-40	E.WASHINGTON AV	\$903,796.86	\$1,131,593.19	PER HOUR COST	\$71.54 x 12,647 HRS
CONST SERV.	MADISON	13614 HRS=66.39/HR	12,647 HRS=89.48	34%+ OVER UCBA	\$904,766.38
					SAVE \$226,826.90
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1133-03-00	USH 41	\$152,943.50	\$280,451.05	PER HR COST	\$80.44 x 1810 HRS
COMMUNITY	BROWN CO.	1772 HRS=86.31/HR	1810 HRS=154.95/HR	79%+ OVER UCBA	\$145,596.40
SENSITIVE DESIGN					SAVE \$134,854.65
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
8220-07-60	STH 64	\$135,910.21	\$32,082.02	PER HR COST	\$70.88 x 360 HRS
CONST SERV	TAYLOR CO	1935 HRS=70.24/HR	360 HRS=89.11/HR	26%+ OVER UCBA	\$25,516.80
					SAVE \$6,565.22
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1440-15-01	UTILITY COORD	\$203,972.48	\$366,295.28	PER HR COST	\$72.27 x 4115 HRS
ON SITE	POSITION	2776 HRS=73.42/HR	4115 HRS=89.01/HR	21%+ OVER UCBA	\$297,391.05
PERSONNEL	NE REGION				SAVE \$68,904.23
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1020-07-04	IH 94	\$923,285.12	\$825,144.31	PER HR COST	\$72.21 x 8926 HRS
DESIGN SERVICE	ST CROIX CO.	11174 HRS= 82.63/HR	8926 HRS=92.44/HR	11%+ OVER UCBA	\$644,546.46
					SAVE \$180,597.85
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
5155-02-72	USH14	\$185,440.26	174,366.30	PER HR COST	\$71.30 x 2291 HRS
CONST SERV	DANE CO	2827 HRS=65.60/HR	2291 HRS=76.11/HR	16%+ OVER UCBA	\$163,348.30
	(OREGON BYPASS)				SAVE \$11,018.00

DOT COST ANALYSIS VS.CONTRACT FINAL COST COMPARISON

2009 CONTRACTS

PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1674-00-72	USH 12	\$1,273,682.26	\$909,296.97	PER HR COST	70.98 x 12,049 HRS
CONST SERV.	SAUK CO.	18920 HRS=67.32/HR	12049 HRS=75.47/HR	12% OVER UCBA	\$855,238.02
					SAVE \$54,058.95
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
5310-00-76	USH 14 DANE CO	\$114,076.20	\$57,803.59	PER HR COST	\$71.30 x 785 HRS
CONST SERV.	MAZO-CROSS PLAIN	1732 HRS=65.86/HR	785 HRS=73.63/HR	11%+OVER UCBA	\$55,970.50
					SAVE \$1,833.09
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1440-13-01	UTILITY COORD	\$203,972.48	\$201,888.83	PER HR COST	\$72.27 x 2289 HRS
ON SITE PERSON	POSITION IN NE ARE	2778 HRS=73.42/HR	2289 HRS=88.20/HR	20%+ OVER UCBA	\$165,426.03
CONTRACT					SAVE \$36,462.80
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
9190-21-00	STH 32 BROWN CO	\$147,829.23	\$137,375.07	PER HR COST	70.35 x 1487 HRS
DESIGN SERV	(ROUNDABOUT CON	1968 HRS=75.12/HR	1487 HRS=92.38/HR	23% OVER UCBA	\$104,610.45
					SAVE \$32,764.62
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1100-19-70	IH-894 AIRPORT	\$74,971.49	\$150,602.99	CONTRACT HOURS	84.52/hr X 1618 HRS
CONST SERV	STH 24 INTERCHANG	830 HRS =90.33/HR	1618 HRS =93.07/HR	2 x OVER ESTIMATE	\$136,753.36
					SAVE \$13,849.63
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1100-18-60	HAMPTON AVE OVER	\$177,612.97	\$150,923.32	PER HR COST IS	\$77.63/HR x 1449 HRS
CONST SERV	USH 45 SE REGION	1740 HRS =102.08/HR	1449 HRS=104.16/HR	2% OVER UCBA	\$112,485.87
BRIDGE REHAB					SAVE \$38,437.45
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1166-00-76	I-39 MARATHON CO	\$430,751.59	\$408,462.82	PER HR COST IS	\$70.58/HR x 4826 HRS
CONST SERV	NC REGION	6465 HRS=66.53/HR	4826 HRS= \$84.64/HR	27% OVER UCBA	\$340,619.08
					SAVE \$67,843.74

DOT COST ANALYSIS VS.CONTRACT FINAL COST COMPARISON

2009 CONTRACTS

PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
5155 04 09	I-39/90 DANE/ROCK C	\$285,567.77	\$689,994.10	PER HR COST IS	\$71.17/HR x 7234 HRS
DESIGN SERV	ACCESS STUDY	3635 HRS = 78.56/HR	7234 HRS = 95.38/HR	21% + OVER UCBA	\$514,843.78
					SAVE \$175,150.32
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1009-03-47	TRAFFIC OPS CTR	\$250,817.87	\$274,700.52	PER HR COST IS	\$71.07/HR x 2516 HRS
ON SITE SERVICES	SE REGION	3266 HRS=76.80/HR	2516 HRS=109.18/HR	42% OVER UCBA	\$178,812.12
					SAVE \$95,888.40
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1176-21-60	USH 51	\$108,621.00	\$186,871.35	1023 HRS MORE THAN	\$67.24 x 2478 HRS
CONST SERV	BRIDGE PAINTING	1455 HRS=74.65	2478 HRS=75.41/HR	UCBA ????	\$166,620.72
					SAVE \$20,250.63
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1080-12-00	USH 12 WALWORTH	\$1,283,074.60	\$885,614.94	PER HR COST IS	\$70.53/HR x 10784 HRS
DESIGN SERVICES		16780 HRS=76.46/HR	10784 HRS= 82.12/HR	7%+ OVER UCBA	\$760,595.52
					SAVE \$125,019.42
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
3110-00-72	STH 59- PALYMIRA	\$168,869.43	\$243,470.05	PER HR COST IS	\$72.29/HR x 2536 HRS
CONST SERVICES		2494 HRS=67.71/HR	2536 HRS=96.00/HR	41%+ OVER UCBA	\$183,327.44
					SAVE \$60,142.61
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1661-05-04	USH 18 CRAWFORD	\$48,697.52	\$34,480.17	PER HR COST IS	\$80.52/HR x 324 HRS
TRAFFIC DESIGN	PDC BYPASS	560 HRS=86.96/HR	324 HRS=106.42/HR	22% OVER UCBA	\$26,088.48
					SAVE \$8,391.69
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
1010-01-09	ENTIRE LGTH OF I-94	NO UCBA COMPLETED	\$3,137,432.92	NO UCBA COMPLETED	
DESIGN SERVICE	STATEWIDE	LACKING SKILLS/STAFF	31032 HRS=101.10/HR		NO UCBA COMPLETED

DOT COST ANALYSIS VS.CONTRACT FINAL COST COMPARISON

2009 CONTRACTS

PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
6145-00-75	USH 12 SAUK CO	\$250,031.44	\$322,855.38	PER HR COST IS	\$71.96/HR x 3720 HRS
CONST SERVICES	DELL CREEK BRIDGE	3673 HRS=68.07/HR	3720 HRS=86.79/HR	27%+ OVER UCBA	\$267,691.20
					SAVE \$55,164.18
PROJECT ID	LOCATION	UCBA ESTIMATE	CONTRACT COST	% OVER UCBA	USING IN-HOUSE
6020 09 09	USH 51 DANE/COL. C	\$285,707.27	\$282,652.50	PER HR COST IS	\$71.43/HR x 3017 HRS
CORRIDOR STUDY	CTH V TO STH 33	3635 HRS=78.60/HR	3017 HRS=93.69/HR	19%+ OVER UCBA	\$215,505.31
					SAVE \$67,148.19

USING D.O.T. DATA FROM THE UNIFORM COST BENEFIT ANALYSIS,

22 OF 23 PROJECTS WOULD HAVE SAVED TAX DOLLARS IF IN-HOUSE STAFF WERE USED

THE D.O.T.S IN HOUSE HOURLY RATE MULTIPLIED BY THE # OF HOURS AGREED TO IN THE CONSULTANT CONTRACT SHOWS THE REAL COST OF USING IN-HOUSE STAFF.

TOTAL SAVINGS FROM 22 PROJECTS WOULD HAVE BEEN \$1,483,552.54



Division of Business Management
Bureau of Human Resource Services
PO Box 7915
Madison, WI 53707-7915

M/Ken W/7i

Jim Doyle, Governor
Frank J. Busalacchi, Secretary
Internet: www.dot.wisconsin.gov

Telephone: (608) 266-2615
Teletypewriter (TTY): (608) 267-0259
Facsimile (FAX): (608) 264-9972

January 11, 2010

Mr. Martin Beil
AFSCME – Council 24
Wisconsin State Employees Union
8033 Excelsior Dr, Suite C
Madison WI 53717

RECEIVED

JAN 13 2010

AFSCME COUNCIL 24
AFL-CIO

Dear Marty:

I have received your memo dated December 15, 2009, requesting copies of the contract and the Act 89 required Cost-Benefit Analysis for RFP #265762 – “Electrical Cabinet Construction, Peak Season Help”, signed with TAPCO for use in outsourcing Traffic Signal Shop work at DOT's Truax Complex. In addition, you also requested any work orders in use under this contract along with any financial data associated with the contract.

Enclosed you will find the following information you requested:

- Contract Release Order (Purchase Order TRJ 3455415). The purchase order was created on 11/12/09. No work orders or payment has been made against this purchase order. The contract was awarded to Traffic and Parking Control Company.
- A letter dated June 10, 2009, to you, advising you of the Contracting for Services. This includes the Cost-Benefit Analysis.

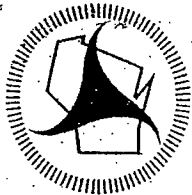
There are no copying costs associated with your request.

If you have any questions or need additional information, please feel free to contact me at randy.sarver@dot.wi.gov or 608-266-0507.

Sincerely,

Randy T. Sarver
Director, Bureau of Human Resource Services

Encl



STATE OF WISCONSIN
DEPARTMENT OF TRANSPORTATION
PURCHASING

CONTRACT RELEASE ORDER

TRAFFIC & PARKING CONTROL CO
5100 W BROWN DEER RD
BROWN DEER WI 53223

Purchase Order No. TRJ 3455415

Date Printed 11/12/09

All standard and solicitation terms and conditions are part of this order as if fully reproduced herein.

BILL TO WISDOT-DIV OF TRANS SYSTEM DEVLPMNT
DTSD-DIV TRANS SYSTEM DEVELOPMENT
PO BOX 7965
MADISON WI 53707-7965

SHIP TO WISDOT-DIV OF TRANS SYSTEM DEVLPMNT
DTSD TRAFFIC OPERATION CENTER
3RD FLOOR AMTRAK STE 300
433 W ST PAUL AVE
MILWAUKEE WI 53203

Vendor Contact Name and Telephone
JOHN KUGEL

RPA No.

Case No.

Contact for Delivery Instructions

KELLY LANGER

(414)227-2166

(800)236-0112

Vendor No.	Award Code	Solicit	Buyer	TIPS Req No.	Agency Req No.	Solicit No.	Contract No.	DOA Contract No.
390983658-00	C	N	B15	1169976	BHO67		406611	

Vendor Reference	Payment Terms	Delivery Terms	Shipping Terms	Total Amount of This Order
	NONE	2 WEEKS ARO	ON SITE SERVICE	\$ 94590.00

LINE NO	COMMODITY CODE/DESCRIPTION	QUANTITY	UNIT OF MEASURE	NET UNIT PRICE	AMOUNT
	UNLESS SPECIFIED OTHERWISE BELOW SHIP TO ABOVE ADDRESS				
00001	COMMODITY CODE: 936-86-043726 CONTRACT LINE: 00001 DOA COMMODITY NUMBER: 93686 CONSTRUCTION, ELECTRICAL CABINET, CABINET BUILDING SERVICES	1503	HOUR	55.00	\$ 82665.00
00002	COMMODITY CODE: 936-86-043726 CONTRACT LINE: 00002 DOA COMMODITY NUMBER: 93686 CONSTRUCTION, SIGNAL CABINET, DESIGN SERVICES PROJECT ID: 0080-03-00 APPROVED BY DAVE VIETH ON 11/3/09	265	HOUR	45.00	\$ 11925.00

Deliver between 8 a.m. and 3 p.m., unless noted in description.
NO Saturday, Sunday or holiday deliveries

Acknowledge this order promptly. Accompany each delivery with a shipping ticket or memo showing purchase order number and material furnished.

If any item on this order is a hazardous chemical, as defined under 29 CFR 1910.1200, provide one copy of a Material Safety Data Sheet for each item with the shipped container and one copy with the invoice.

TAX EXEMPTIONS

The State of Wisconsin and its agencies are exempt from payment of all Federal and Wisconsin state and local taxes on its purchases except Wisconsin excise or occupation tax as described on the attached.

The State of Wisconsin does not issue a tax exempt number for state agencies. Federal exemption no. 39-73-1021-K is on file with the Internal Revenue Service Milwaukee.

Buyer Name: MARY JOHNSON

Buyer Telephone: (608)267-2837

Transportation Purchasing Authorized Representative



Division of Business Management
PO Box 7915
Madison, WI 53707-7915

mailed 7/2/09
Jim Doyle, Governor
Frank J. Busalacchi, Secretary
Internet: www.dot.wisconsin.gov

June 10, 2009

EXECUTIVE DIRECTOR
WISCONSIN STATE EMPLOYEES UNION
AFSCME COUNCIL 24
8033 EXCELSIOR DRIVE, SUITE C
MADISON WI 53717-1903

Subject: Contracting for Services

This letter formally advises you that the Wisconsin Department of Transportation is contracting for:

Electrical Cabinet Construction, Peak Season Help

Estimated cost is \$155,280/year

Length of contract is one year, plus two optional renewals

Justification for contracting out service:

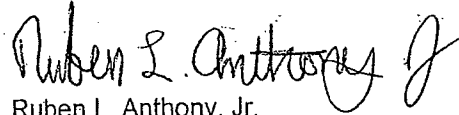
1. Wisconsin State Statute 16.71
2. This project is intended to provide staffing support to the Department of Transportation Bureau of Highway Operations System Operations and Electrical maintenance section. The staffing support will be assigned to the Electrical maintenance shop in Madison. The contracted staff will assist state staff in building traffic signal cabinets, building freeway lighting cabinets, wiring cabinets and signal system controllers, and reviewing plan documents for accuracy. The current staffing level of the electrical shop makes it difficult to meet the fluctuating demand of the roadway improvement projects throughout the state. This contracted staff is proposed to be available for part time to full time assignments throughout the year as the demand for lighting and signal system equipment dictates.
3. Recent staffing changes have greatly reduced the pool of individuals with credentialed qualifications in electronics and electrical work to build traffic signal and lighting cabinets. Department employees assigned to the electrical shop are currently working at their maximum workload capability and there are no licensed electricians, just electronic technicians. Summer construction months are very demanding due to the number of projects that require traffic signal and lighting cabinets to be built and along with the continuous maintenance of existing cabinets. And this workload is anticipated to increase as a result of the ARRA (American Reinvestment and Recovery Act) Projects. It is crucial that the cabinets be built and delivered to the job sites on time in order to prevent delay of highway projects which in turn can cost the state. In the absence of an electrical shop employee due to professional development, personal time, or retirement, the work will fall behind. As the traffic signal and lighting industries continually change, it is necessary for staff performing the electrical shop duties to gain the knowledge of the newer technologies used in the state. When staff are sent away for training, incomplete work in the electrical shop will continuously increase.
4. No additional positions or funding is available to hire staff to perform this additional work. No state worker will be laid off as a result of this procurement.
5. At the current state of the department, multiple part time positions are difficult to enlist. This work cannot be performed by another state agency. The possibility of contracting through the UW TOPS Lab has been considered but was deemed unsuccessful when the Lab could not find an adequately licensed electrician/electronic technician individual to do the job. The ability to hire an electrical contracting company would ensure that the company is licensed and bonded to perform the necessary work.
6. There are several potential providers of this service. An RFP process will be conducted to select the best qualified contractor requiring the least amount of training.

The information provided in this letter explains the need to contract out the identified service and is in compliance with the requirements stipulated in the applicable state collective bargaining agreement. To the best of our ability, we have determined that if there were positions filled to do this work, a WSEU-represented employee would complete the work.

Sincerely,



Netty Winkler
Employment Relations Specialist
Phone #608-261-0253



Ruben L. Anthony, Jr.
Deputy Secretary

cc: WisDOT Purchasing



Cost Benefit Analysis – Project Summary

To perform a Cost Benefit Analysis, please complete DOA-3821a CBA Project Summary (Word) and DOA-3821b CBA Financial Information (Excel). Route both documents for approval within your agency as defined by your agency policy. * Instructions for completing form DOA-3821a and DOA-3821b are located on VendorNet.

Submit approved documents to the State Bureau of Procurement at DOAcba@Wisconsin.gov and appropriate Union Representatives as required in PRO-I-9.

*DOA and its attached entities must also complete DOA-3820 CBA Review Approval.doc and route as specified in that document.

This form is designed to expand as information is entered.		
Department: Transportation	Date: 4/20/09	Agency Tracking Number:
Contact: Glenn Unger	Phone Number: 608-246-3269	
Project/Program Title: Electrical systems design and fabrication support		
Written Description of Factors		
<p>1. Service Overview - Rationale for Contracting Out</p> <p>Provide a written justification for the request in clear, non-technical language that can be understood by persons who may not be directly involved in or familiar with the proposed services, with all acronyms fully defined.</p> <p>This project is intended to provide staffing support to the Department of Transportation Bureau of Highway Operations System Operations and Electrical maintenance section. The staffing support will be assigned to the Electrical maintenance shop in Madison. The contracted staff will assist state staff in building traffic signal cabinets, building freeway lighting cabinets, wiring cabinets and signal system controllers, and reviewing plan documents for accuracy. The current staffing level of the electrical shop makes it difficult to meet the fluctuating demand of the roadway improvement projects throughout the state. This contracted staff is proposed to be available for part time to full time assignments throughout the year as the demand for lighting and signal system equipment dictates.</p>		
<p>2. Market Strength</p> <p>Please describe the availability in the market of vendors that can perform this service. How does the labor market impact the recruiting and retention of employees?</p> <p>Currently there are multiple vendors in the southwest and southeastern Wisconsin area that are capable of providing this type of contract staff support. The knowledge and skills required to successfully perform this work are common among reputable electrical contractors and the technologies rapidly evolve requiring continuous training and knowledge of new practices. It would be difficult to attract and retain a state employee for this work because of the fluctuating nature of the demand and the inability to maintain a consistent work schedule.</p>		
<p>3. Quality and Nature of Services Required</p> <p>Provide a description of the proposed service to be performed, a list of items to be delivered, any specific conditions to be required of the contractor, and how the agency will ensure that the contractor will provide services and quality as promised without financial loss to the State. Is the work a core service of state government?</p> <p>The contract staff will be expected to provide the following services to the State:</p> <ol style="list-style-type: none">1) Preparing comprehensive electrical design documents for the construction of traffic signal and lighting cabinets.2) Preparing as-built wiring schematics for cabinets being built under contract3) Preparation and installation of electrical panels into traffic signal and lighting cabinets4) Preparation of intersection control diagrams5) Support the inventory and purchasing process of parts and equipment for BHO electrical shop by creating and regularly updating a production schedule and inventory log. <p>Building and maintaining traffic signal controller and lighting cabinets for signalized intersections on state maintained highways is a core service of state government.</p> <p>The specific conditions that would apply to any contractor proposed on this RFP would be the following:</p>		

Work Schedule - Initial estimates indicated that needed vendor staffing levels would range from 24 – 120 hours per week using up to 3 full time staff members as dictated by the workload and staff schedule. The workload will be highest during the months of June, July and August. The contract will have a maximum of 2000 staff hours per year. Experience - Contract staff will need to have a minimum of 2 years experience in the areas of traffic signal and lighting cabinet maintenance and production.

Staffing location - The contract staff will be required to work on-site at the Wisconsin Department of Transportation Electrical Maintenance Shop located in Madison. The contract staff will be under the direction of the WisDOT shop supervisor and operations chief.

4. Risk Factors

Please describe the controls and risk management that will be in place in the event a private firm may fail to provide the service it has guaranteed or reduce services if financial losses occur? How will we ensure that confidential information will be kept secure?

Prior to selection, the contractor must be listed on the approved contractors list for the department and selection will be made based on requirements rather than lowest bid. Upon signing a non-disclosure agreement prior to working onsite at the department, the contractor will be bound to keep department information confidential and the contractor will be held liable for a breach of the signed agreement. In order to lessen the effects that the department may experience if in the event the contractor fails to provide the service it has guaranteed, DOT electrical shop staff will be working closely with the contractor on various projects so that the knowledge is maintained by staff. Weekly progress/service reports will be required by the contractor to monitor work being done at the electrical shop.

5. Timelines

Provide schedules and timetables for the proposed service. Provide a statement indicating whether the proposed service is a short-term project or a long term need for the agency. What controls will be in place to ensure the timeliness of project milestones.

This service need is intended to be long term, with especially higher demands during the summer months of construction. As the technologies continually change, it is necessary for staff performing the electrical shop services to sustain a working knowledge of older and newer technologies used in the state. Private firms strive to maintain this knowledge by sending their staff to trainings that department staff may not be afforded to attend.

6. Technical Expertise

Describe whether agency employees have the capacity to perform the proposed service. Describe whether the agency employees have the expertise to perform the proposed service.

Recent staffing changes have greatly reduced the pool of individuals with credentialed qualifications in electronics and electrical work to build traffic signal and lighting cabinets. Department employees assigned to the electrical shop are currently working at their maximum workload capability and there are no licensed electricians, just electronic technicians. Summer construction months are very demanding due to the number of projects that require traffic signal and lighting cabinets to be built and along with the continuous maintenance of existing cabinets. It is crucial that the cabinets be built and delivered to the job sites on time in order to prevent delay of highway projects which in turn can cost the state. In the absence of an electrical shop employee due to professional development, personal time, or retirement, the work will fall behind. As the traffic signal and lighting industries continually change, it is necessary for staff performing the electrical shop duties to gain the knowledge of the newer technologies used in the state. When staff are sent away for training, incomplete work in the electrical shop will continuously increase.

7. Legal Barriers

Please describe any federal mandates, state statutes, and administrative rules that dictate the service level which government must perform.

The American Recovery and Reinvestment Act of 2009 has significantly increased the number of jobs going through the shop and has decreased the turnaround time for completing such jobs. According to the Department's 2008-09 Strategic Plan, the department is striving to provide and operate a safe and secure transportation system and it is necessary to update the signalized intersections with new controller technology. The US Code, Title 23, along with amendments from SAFETEA-LU, reinforces the Federal commitment to manage and operate the nation's transportation system. SAFETEA-LU addresses the many challenges facing our transportation system today; challenges such as improving safety, reducing traffic congestion, improving efficiency in freight movement, increasing intermodal connectivity, and protecting the environment, as well as laying the groundwork for addressing future challenges.

8. Alternatives to Contracting Out

What alternatives have been considered? What research has been conducted to determine if this service can be

performed by another agency or the University?

At the current state of the department, multiple part time positions are difficult to enlist. This work cannot be performed by another state agency. The possibility of contracting through the UW TOPS Lab has been considered but was deemed unsuccessful when the Lab could not find an adequately licensed electrician/electronic technician individual to do the job. The ability to hire an electrical contracting company would ensure that the company is licensed and bonded to perform the necessary work.

Authorized Agency Approver:

Date:

This document can be made available in alternate formats to persons with disabilities, upon request.



Cost Benefit Analysis Financial Information

Please see line by line instructions at: <http://vendornet.state.wi.us/vendorsnet/doaforms/CBAInstructions.doc>

To request Cost Benefit Analysis approval, please complete DOA-3821a CBA Project Summary (Word) and DOA-3821b CBA Financial Information (Excel). Route the documents for approval within your agency as defined by your agency policy. Submit approved documents to the State Bureau of Procurement at: DOAcba@wisconsin.gov and appropriate Union Representatives.

Only enter information in the areas shaded yellow. Please do not alter formulas in blue cells. If more room is needed for any line number, insert new rows in the middle of the shaded area so the formulas are still valid. The Cost Benefit Analysis Summary at the end is populated with the totals from each of the sections below.

Department:

Transportation (DOT)

Date:

5/1/09

Agency Tracking Number

Contact:

Glenn Unger

Phone Number:

608-276-3269

Project/Program Title

Electrical Systems Design and Fabrication Support

Part One - State Employee Costs

Line 1. Part A: Identify all permanent state staff needed to carry out the function described in this CBA. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

Job Classifications from OSER - Permanent positions	Hourly Pay	Number of Staff Needed	Annual Hours	Total				
				Year 1	Year 2	Year 3	Year 4	Year 5
Electrical Technician Senior	\$18.68	1	2080	\$38,854	\$39,631	\$39,631		
				\$0				
				\$0				
				\$0				
				\$0				
				\$0				
Sub-total State Employee Wage and Salary Costs for Line 1 Part A Permanent positions				\$38,854	\$39,631	\$39,631	\$0	\$0

Line 1, Part B: Identify all limited term staff needed to carry out the function described in this CBA. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

Job Classifications from OSER-Limited Term positions

Hourly Pay	Number of Staff Needed	Annual Hours	Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5
			\$0				
			\$0				
			\$0				
			\$0				
			\$0				
			\$0				

Sub-total State Employee Wage and Salary Costs for Line 1 Part B Limited Term positions

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Total State Employee Wage and Salary Costs for Line 1 Part A and Part B (Permanent & LTE)

\$38,854	\$39,631	\$39,631	\$0	\$0	\$0	\$0	\$0
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Please describe your assumptions for the total number of Permanent and LTE staff requested and designated classifications. Also describe your assumptions for any proposed annual increases.

Staffing hours are based on 1 full time employee. Ideal staffing would increase hours dramatically during the months of June, July, August, and September to meet construction project demand for equipment.

Line 1, Part C: The Leave Adjustment Factor accounts for benefits that a state employee earns but does not use. A standard 15% was calculated by OSER based on its survey of state agencies. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

	Hourly Pay	Number of Staff Needed	Leave Factor Hours at 15%	Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5
Electrical Technician Senior	\$18.68	1	312	\$5,828	\$5,828	\$5,828		
	\$0.00	0	0	\$0				
	\$0.00	0	0	\$0				
	\$0.00	0	0	\$0				
	\$0.00	0	0	\$0				
	\$0.00	0	0	\$0				

Total State Employee Leave Adjustment Factor Costs for Line 1 Part A \$5,828 \$5,828 \$5,828 \$0 \$0

Please describe your assumptions. Documentation is only needed if you vary from the State average leave factor.

Line 2. Fringe calculated at appropriate percentage of wages included in Line 1 Part A and Part B. Contact your budget office for the appropriate rate. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5
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Benefit Rate for Permanent positions

Benefit Rate for L TE positions

Benefit Amount for Permanent positions

Benefit Amount for L TE positions

Total Fringe Benefits Costs for Line 2 \$18,056 \$18,417 \$18,417 \$0 \$0

Line 3. Annual State Employee Administrative Overhead Costs. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

	Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5
IT support for desktop, laptop, internet support, etc.	\$1,500	\$1,500	\$1,500		
Add-on for laptop if assigned	\$450	\$450	\$450		
Risk management premium	\$2,940	\$2,940	\$2,940		
Space costs					
Agency overhead					
State Controllers office including payroll	\$300	\$300	\$300		
Telephone	\$300	\$300	\$300		
Training	\$400	\$400	\$400		
General supplies					
Other explain					
Total Individual Overhead Costs	\$5,890	\$5,890	\$5,890	\$0	\$0

Total number of employees needed from Line 1 Part A and Line 1 Part B

Total Administrative Overhead Costs for line 3	\$5,890	\$5,890	\$5,890	\$0	\$0
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Please describe your assumptions.

Part Two - Contracting Costs

Line 6. Contract Price: You must identify the cost of this contract in either a lump sum amount or by modeling the positions used when calculating the state employee costs. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

Position description or Project Description	Hourly Pay	Number Requested	Annual Hours	Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5
Contractor 1	\$85	1	1768	\$150,280	\$156,291	\$162,604		
Contractor 2				\$0				
Contractor 3				\$0				
				\$0				
				\$0				
				\$0				
				\$0				
Total Contract Price for line 6				\$150,280	\$156,291	\$162,604	\$0	\$0

Please describe your assumptions for the total number of staff requested and designated classifications or the total contract cost.

Line 7. Contract Monitoring and Contract Creation Costs: These costs include all activities that take place from the time a decision is made by the program area to contract out until the contract is fully executed and final payment is made. SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

	Hourly Rate	Number of Staff requested	Annual Hours	Total Year 1	Total Year 2	Total Year 3	Total Year 4	Total Year 5
Contractor management	\$100.00		50	\$5,000	\$5,000	\$5,000		
Total Contract Monitoring for line 7				\$5,000	\$5,000	\$5,000	\$0	\$0

Please describe your assumptions for the total number of positions requested and designated classifications.

Part Three - Cost Benefit Analysis Summary

Do not alter information on this page. You should review each summary item to ensure that previously entered data is accurately represented.
SEE INSTRUCTIONS FOR DETAILED GUIDANCE.

Department:		Date:		Agency Tracking Number	
Transportation (DOT)		5/11/09			
Contact:				Phone number	
Glenn Unger				608-246-3269	
Project/Program Title					
Electrical Systems Design and Fabrication Support					

State Employee Cost Compared to Contracting Out for Services Costs

Contract Length

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
State Employee Costs						
Wage and Salary Costs	\$44,683	\$45,459	\$45,459	\$0	\$0	\$135,601
Fringe Benefits Costs	\$18,056	\$18,417	\$18,417	\$0	\$0	\$54,889
Administrative Overhead Costs	\$5,890	\$5,890	\$5,890	\$0	\$0	\$17,670
Other Operating Costs	\$0	\$0	\$0	\$0	\$0	\$0
Total State Employee Costs (Automatic Sum of Lines 1 through 4)	\$68,628	\$69,766	\$69,766	\$0	\$0	\$208,159

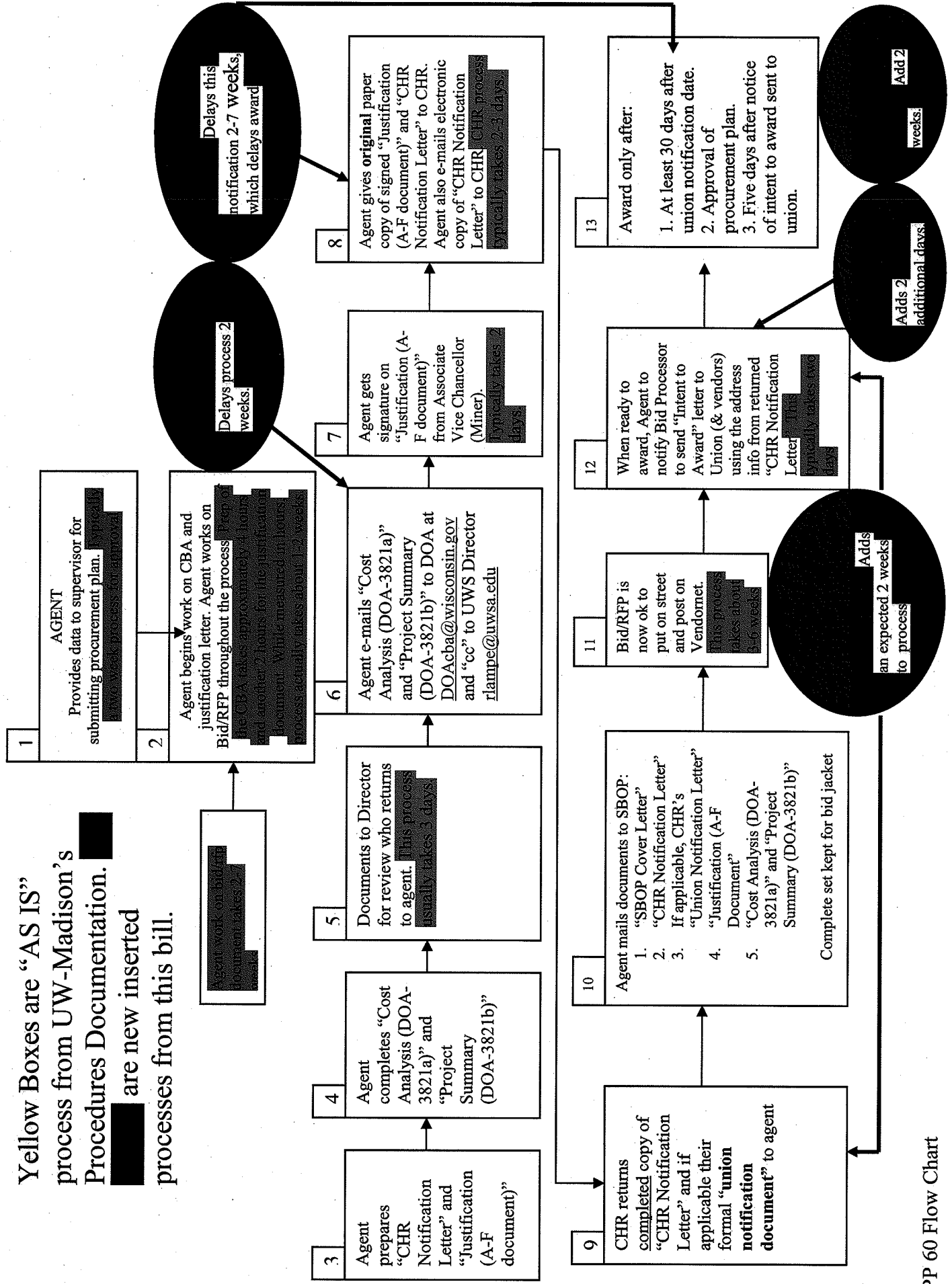
Contracting Costs

Contract Price	\$150,280	\$156,291	\$162,604	\$0	\$0	\$469,175
Contract Monitoring	\$5,000	\$5,000	\$5,000	\$0	\$0	\$15,000
One-Time Conversion Costs	\$0	\$0	\$0	\$0	\$0	\$0
Total Contract Costs (Automatic Sum of Lines 6 through 8)	\$155,280	\$161,291	\$167,604	\$0	\$0	\$484,175

Cost Analysis (Automatic calculations)

10. Average annual Savings/(Cost)	(\$2,005)
11. Average annual State Employee Costs	\$69,386
12. Average Annual Savings/Cost Percentage	-132.60%

Yellow Boxes are "AS IS" process from UW-Madison's Procedures Documentation. [redacted] are new inserted processes from this bill.





Division of Administrative Services

780 Regent Street
P.O. Box 8010
Madison, Wisconsin 53708-8010
(608) 263-4378
(608) 262-8589 Fax

email: randerson@uwsa.edu

website: <http://www.uwsa.edu/admin>

Date: January 20, 2010

To: Tom Anderes
Senior Vice President

From : Ruth Anderson
Assistant Vice President

Subject: SB 447- Contractual Services Legislation

The legislature is considering SB 447 which is comprehensive procurement legislation that would significantly impact the UW System's ability to buy services from the private sector. Legislators are concerned that state employees be fully utilized before turning to the private sector for services and that contract cost over runs be avoided.

As currently written, this bill has the potential to slow down, by weeks and even months, the purchasing of essential services. These include services that we are contracted to provide to other organizations through grants and contracts. Our ability to meet our obligations to these parties is dependent on being able to contract for external services in a timely manner.

Even outside of the research and instruction arena, our daily operations need to be able to put contracts in place in a timely manner, especially as it relates to health and safety such as services for testing fire sprinkler systems, fume hoods, cleaning kitchen exhaust systems. In general, contract processes need to be efficient and effective. The current process to purchase services already takes 6-10 weeks. This legislation adds a projected 6 additional weeks for new DOA and OSER approvals. (See attached Process Flow chart)

On the positive side, through the work of the Communications Office, Senator Lassa has already taken into consideration a number of concerns the UW raised. There is language in the bill which helps tighten definitions so that CBAs are created where they make the most sense. There are other process exemptions that will help streamline procurement operations and make them more efficient in relation to the CBA process. We requested consideration of fully exempting short term contracts, under a year, from the CBA process in order to fully streamline these processes.

Unfortunately there still remain issues in the final bill that need to be addressed, which are listed below:

Reporting Requirements

This bill requires new reports that will be very difficult for the UW to comply with because not all of our services are not bought on an hourly basis, which these reports assume. The hourly data desired is not collected in existing systems and would require The UWS to develop a database for tracking this information. We also would need at least two full time staff to manually reach out to every contracted service provider to

collect the data in the manner described. The validity of the resulting data will be questionable since many service contracts are awarded based on cost per sq foot or per project and hourly data won't make sense.

New Levels of Review and Approvals

Currently statutes require all state agencies to submit CBAs to DOA. The bill will require DOA to certify the accuracy of the CBAs. A CBA is a complex financial analysis of the decision to contract out for a service. While the desire for oversight is understood it is anticipated this will easily add 2 weeks to the purchasing process.

OSER is required to review any resulting contract both before contract award and after the issuance of a "notice of intent". While these events currently take place the same day, with this new process each review cycle will conservatively take 2 weeks for each purchase.

Protest Language

Current Procurement regulations set out a 5 day protest period and 10 day appeals period. This legislation lengthens this process to 7 and 12 days. In this era of electronic notification it would seem process time could be reduced instead of increased.

Creation of new Standard Contract Language

UW Purchasing staff agree that performance measurements are important in contracts, but we question them being established at a state level. Currently the bill's language asks DOA to create standard performance measurements. Performance measures will be most effective when they are created to address the performance of a vendor on a particular contract. It will be difficult to identify one standard that applies to road contractors, lab testing, consultants, etc.

Invoices

This bill will require all invoices that are 10% over the price of the bid to be reviewed and approved by the Secretary of DOA before they can be paid. The intent of this language is to prevent cost over runs. Already UW is exempt for instruction and research which is very significant, but we continue to be concerned about the other service contracts that will fall under this provision. What this language does not appear to delineate is the difference between a project where the contractor is overcharging the state vs where the UW has made a decision to change the project scope thereby changing the price of the project. When a contractor is over charging, the UW should not pay them, however, similar to the remodeling of your house, when you open a wall you never know what you are going to find and the cost to remodel will change depending on what is inside the wall.

In conclusion we are still very concerned about this bill and its impact on the UW as well as other state agency operations.

cc: UW Chief Business Officers, UW Purchasing Directors



Thank you Chairman Risser and members of the Ethics and Government Operations Committee for giving me the opportunity to speak to you today about the state's outsourcing practices. My name is Scott Spector, and I am the Government Relations Director for AFT-Wisconsin. AFT-Wisconsin represents 17,000 professional public employees working throughout the state, including thousands of state employees working at every state agency. Our members have first-hand experience with current outsourcing practices, since we represent employees who work side-by-side with private contractors, often times doing exactly the same work. We also represent procurement agents and other employees directly involved in bidding and contracting, and who understand how the process works. The members of our union strongly support SB 447 and we thank Senator Lassa and Representative Jorgensen for their hard work on this issue.

AFT-Wisconsin believes that many of the proposals included in this bill are common-sense reforms that will ensure proper stewardship of taxpayer dollars. Such reforms include:

- Requiring agencies to disclose the number of contractors that are employed and the cost of those contractors. This will allow legislators and the public to see how dollars are being spent while creating more accountability. Currently, agencies are only required to disclose the number of state employees they employ.
- Requiring state agencies to file an evaluation with DOA if outsourced projects are unsatisfactory. Such evaluations can be used in determining future contract awards. Currently, there is no meaningful evaluation of the performance of private contractors. Moreover, agencies are not able to track contractors' previous work products for the state, which allows poor performers to continue to receive state dollars.
- Allowing projects to be outsourced only if they cannot be done by state employees, it is more cost-efficient to use private contractors, or the project time-frame is too short to warrant the hiring of state employees. Agencies' first responsibility should be saving taxpayers' money; however, all too often agencies decide to outsource work because it is easier than hiring a state employee, even when that state employee would be less expensive than a private contractor.

I also wanted to take a few minutes to address some concerns that have been brought up about SB 447.

- Some have argued that comparing the costs of private contractors to state employees is an unfair comparison because state employees stay on after a project is completed, while contractor costs expire at the end of the contract. This argument is flawed for a number of reasons. First, oftentimes contracts are renewed and contractors end up staying with the state for years, and in some cases even decades. We have heard stories from members who have worked with contractors who have been with the state for more than 15 years. Secondly, often times the type of work that agencies need to outsource is not a one-time project, but rather on-going work. For example, over the past 18 months our union has received notification of the state's intent to hire 116 contractors to do work as "Systems Development Services Specialists." For each project, the state needs to hire a new contractor, whereas if a state employee were hired, that person would be on staff permanently to do this type of work and would limit the need to contract out in the future.
- We have also heard arguments that state employees do not have the proper skill sets to do some of the work that private contractors do. Our union believes that if there is work that our members cannot do, we do not object to finding someone who can; however, if the work represents a long-term need, the agency should invest in state employees who can do the work. After reviewing over 200 cost benefit analyses, we have found that we have members in almost all of the job titles that agencies want to hire. Clearly, in almost every circumstance, our members have the skills and ability to do the work.
- Finally, some have argued that agencies don't have enough staff to do the work. We couldn't agree more. As of six months ago, 8% of all state positions were vacant, and I'm sure that number has only increased since then. If agencies have projects that need to get done, their first step should be filling vacant positions within their agencies. To use understaffing as justification to spend more money on private contractors doesn't add up for taxpayers. If money exists to pay private vendors, the money should exist to pay state workers, especially if it saves money.

Thank you for your time to talk with you about this important topic. The 4,000 public employees that AFT-Wisconsin represents are not asking for special treatment; we are asking for proper stewardship of state dollars. We believe that SB 447 provides some much needed oversight and accountability of the procurement process to ensure proper usage of state dollars.

As agencies decide how to move forward on a project, we ask for a fair evaluation of the costs between using state staff and outsourcing the project. If it's cheaper to outsource, agencies should outsource; however, if it is cheaper to keep the work in-house, state employees should be trusted to get the job done. Thank you.

Tim Hanley
State Engineering Association

Cost is one of the most important things to the taxpayer, yet the government continues to spend more and get less by outsourcing many of the government functions.

Agencies in State government are being whittled down to become oversight only agencies. We are one work force generation from being agency that does to agency that watches.

In WISDOT the Southeast region is the first to model an oversight only agency and they have set that for a goal by the end of the year. They are making the changes today as we attend this hearing. The current administration is making these last minute changes as it is on its way out. Why? It is not in the taxpayer's best interest.

By continuing to do this work agency staff continue to get valuable and needed "mentoring" and apprenticeship training to be the next generation watching our infrastructure needs. This institutional knowledge and functionality is critical and needed for Wisconsin agencies to remain strong and produce the results the taxpayers have come to expect and want.

The taxpayers want a competent, professional work force looking out for their needs and long term goals. If you put their needs in competition with profit needs the taxpayers will always come second.

I support this bill and efforts to strengthen government accountability and transparency along with cost effective delivery of services. However, I don't think this bill is the only way to accomplish this.

I believe the legislature must act to protect the taxpayer interest by setting up performance standards and expectations for the agencies.

1. Agencies should be staffed to perform a majority of the tasks the government formed the agency for. No more than 30 percent(if any is desired) of an agencies workload should be outsourced. It is critical that

staff maintain institutional knowledge and training. Especially, when staffed agencies have been documented to deliver services more than 18 percent more cost effectively. That is what the detailed DOT study found in 2004 when it compared costs of internal staff to outsourced staff. If we ran agencies purely like a business, no business would spend 18 percent more to get the same service they could provide with their own staff. It is simply stupid.

2. If agencies are out of balance then they should be a requirement in the next two to three budgets (4-6) years to transition back to the proper balance with no more than 30 percent outsourced.
3. When agencies percentages get too large in outsourcing then they begin eating up staff work time on oversight; more oversight means they can do less work; less work getting done more outsourcing; more outsourcing means less work getting done. It is a self fulfilling action to lead to more and more outsourcing.
4. We should not have consultants overseeing consultants. It should be prohibited. It is the "fox guarding the hen house" and simply not in the taxpayer interest.
5. Any outsourcing more than 30 percent leads to shadow government and begins down the path of erosion of public services and government transparency. For example, state employees pay and wages are openly posted on the Journal Sentinel online Data on Demand. But do you see consultant contract wages posted there ? No.
6. Privatization has been ongoing now for about 15 years and costs of government continue to rise. We have not saved money with privatization it is a failed direction and taxpayers cannot afford continued waste and mismanagement of their state agencies. It must be stopped now.

THE SIZE OF STATE GOVERNMENT MYTH

STATE EMPLOYEES
DO IT

Cost
\$200,000,000

"BIG GOVERNMENT"

CONSULTANTS
DO IT

Cost
\$236,000,000

"SMALL GOVERNMENT"

2004 DETAILED WISDOT COST ANALYSIS
DETAILED STATE EMPLOYEES AT LEAST
18 PERCENT MORE COST EFFECTIVE!!

TRUTH →

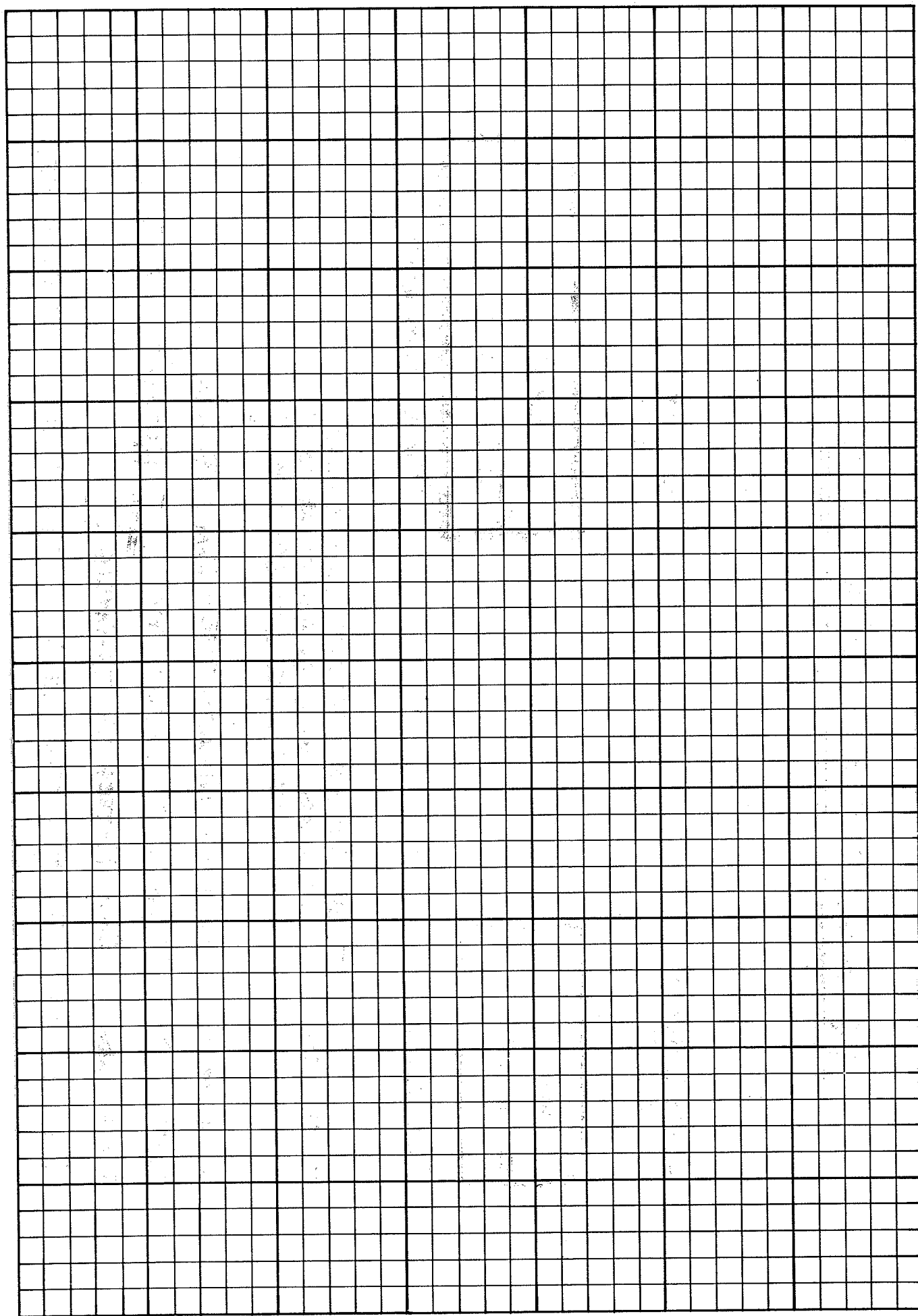
TRUTH →

TRUTH →

TRUTH →

WE NEED INFRASTRUCTURE - ROADS, BRIDGES, ETC.
GOVERNMENT DEFINED BY COST NOT NUMBER OF EMPLOYEES
COST MATTERS TO TAXPAYERS!!

WHAT IS BEST FOR THE TAXPAYERS? HIRE MORE STATE EMPLOYEES





STATE ENGINEERING ASSOCIATION

4510 REGENT STREET
MADISON, WISCONSIN 53705 (608) 233-4696

November 16, 2004

FOR IMMEDIATE RELEASE

For More Information Contact: Mark Klipstein at (414) 750-1496 or SEA at (608) 233-4696

State Employees 18% More Cost Effective

MADISON – In a report obtained by the State Engineering Association (SEA), Department of Transportation (DOT) officials determined that contracting out engineering work is much more expensive than having existing state employees do the work. The data shows taxpayers pay 18 percent more when engineering work is contracted out. Taxpayers have been fleeced for more than \$27.6 million for DOT engineering contracts.

State officials initially refused to release a cost comparison report that shows contracting out is much more expensive. “The state doesn’t seem to want to acknowledge that its employees are more cost effective than consultants. Instead, the state continues to shift work away from state employees to higher cost engineering consultants,” said SEA President Mark Klipstein. “In a time of tight budgets, the taxpayer cannot afford to have the state continue the wasteful practice of contracting out engineering work. If the state is allowed to continue to expand contracting, more taxpayer dollars will be wasted.”

DOT’s reorganization plan calls for 365 people to be laid off. “As contracting out continues to increase and more state employees are laid off, we are losing our capacity not only to engineer and design projects, but also to oversee consultants’ work and protect the public’s interest in safety and quality,” added Klipstein. “Consultants and

FOR WISCONSIN STATE EMPLOYEES ENGAGED IN THE PROFESSION OF ENGINEERING

local officials are concerned that the process for approval will be delayed as fewer employees are available for project review."

-more-

State Employees 18% More Cost Effective (cont.)

Released November 16, 2004

DOT was tasked to prepare the cost analysis to determine if engineering consultants are more or less expensive than state employees for engineering services. Analysts used accounting methods required by the federal government. The analysis is very thorough and is based on a substantial number of projects, reflecting the total cost to taxpayers. It clearly demonstrates that the taxpayer is better served by cutting back on contracting out for engineering. The report was released due to pressure from state legislators.

"These results are encouraging, but not unexpected. This study will clear up the misconception that private companies are always more efficient than government agencies," Klipstein said. "That is why we pursued every option to get the full report made public."

A contradictory report released by the Department of Administration (DOA) is based on only a tiny portion of DOT project costs. It also improperly shifts significant costs from consultant-led projects to projects that are performed by state employees. "DOT stands behind its report. Many wonder if the serious flaws in the DOA analysis are being used to support Governor Doyle's plan to cut 10,000 state employees, without regard to the cost to taxpayers," Klipstein said. "The administration has made it clear that state employees will continue to be laid off and their work will be contracted out, regardless of cost or public safety concerns."

State studies conducted since 1985 consistently show that contracting engineering work costs taxpayers more. "Ironically," Klipstein points out, "the state has expanded contracting engineering work since the mid-1980s and laid off qualified engineers."



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

December 18, 2009

TO: Senator Julie Lassa
Room 323 South, State Capitol

FROM: Jon Dyck, Fiscal Analyst

SUBJECT: Department of Transportation Highway Program Consultant Expenditures and
Vacancy Rates

At your request, this memorandum provides information on the use of consultant engineers in the state highway program and position vacancy rates in the Department's Division of Transportation System Development, which is responsible for the design and delivery of transportation infrastructure projects.

The following tables show this information from 2004-05 to the present. Table 1 shows actual engineering consultant expenditures in the highway program from 2004-05 to 2008-09 and the budgeted amount for 2009-10. Table 2 shows vacancy rates within the Division of Transportation System Development at two points in time in each fiscal year throughout the period. For the purposes of this table, the first data column shows the vacancy rates for a pay period in late July, early in the fiscal year, but during the middle of the construction season. The second data column shows a late February pay period, a time when the largest highway projects are typically being let.

TABLE 1

**State Highway Program Engineering Consultant Expenditures
(In Millions)**

2004-05	\$116.3
2005-06	147.4
2006-07	149.7
2007-08	196.9
2008-09	227.4
2009-10*	252.0

*Budgeted amount.

TABLE 2

Division of Transportation System Development Position Vacancy Rates,

<u>Fiscal Year</u>	<u>July</u>	<u>February</u>
2004-05	6.9%	7.4%
2005-06	11.1	9.0
2006-07	8.6	5.8
2007-08	5.2	5.1
2008-09	4.7	7.3
2009-10	8.8	

I hope this information is helpful. If you have further questions, please contact me.

JD/sas

COST-BENEFIT ANALYSIS

Wisconsin Department of Transportation
DT2233 2/2007 Ch. 84 Wis. Stats.

Program Type - Code				
<input checked="" type="checkbox"/> St Hwy Rehab, Design - 3031		<input type="checkbox"/> St Hwy Rehab, Constr - 3033		<input type="checkbox"/> Majors, Design - 3021
<input type="checkbox"/> Other (Describe below)				<input type="checkbox"/> Majors, Constr - 3023
		Rates		Updated 1/27/2009
Project ID	Highway	County	Region/Bureau	Work Order No.
Project Description (Limits, type of work not noted in Improvement or Program Type)				
Improvement Type <input type="checkbox"/> Bridge Rehabilitation <input type="checkbox"/> Expansion <input type="checkbox"/> Reconditioning <input type="checkbox"/> Bridge Replacement <input type="checkbox"/> Pavement Replacement <input type="checkbox"/> Reconstruction <input type="checkbox"/> Other (Describe below)				
Does WisDOT perform this type of work in-house? If the answer is no, do not continue with comparison and explain below				
<input type="checkbox"/> Yes <input type="checkbox"/> No				

STATE EMPLOYEES

Engineering Tasks	WisDOT			Consultant		
	Hours to Complete Task	Average Cost/Hr	Total Estimated Amt for Task	Hours to Complete Task	Average Cost/Hr	Total Estimated Amt for Task
CADD		\$59.86	\$0.00		\$65.66	\$0.00
Environmental Impacts		\$67.26	\$0.00		\$91.39	\$0.00
Final Design		\$66.40	\$0.00		\$85.21	\$0.00
Operations Activities		\$79.85	\$0.00		\$119.06	\$0.00
Planning Activities		\$63.88	\$0.00		\$91.37	\$0.00
Preliminary Design		\$68.53	\$0.00		\$87.60	\$0.00
Project Management		\$82.69	\$0.00		\$114.32	\$0.00
Public Involvement		\$77.26	\$0.00		\$92.06	\$0.00
R/W Plat		\$59.47	\$0.00		\$79.49	\$0.00
Railroad Coordination		\$73.91	\$0.00		\$91.37	\$0.00
Real Estate		\$60.14	\$0.00		\$91.37	\$0.00
Soils and Pavements		\$74.17	\$0.00		\$92.35	\$0.00
Structures		\$69.52	\$0.00		\$91.59	\$0.00
Surveying and Mapping		\$58.37	\$0.00		\$72.14	\$0.00
Utility Coordination		\$60.58	\$0.00		\$89.74	\$0.00
Task Totals	0	\$0.00	\$0.00	0	\$0.00	\$0.00

COSTS MORE BY THIS AMOUNT PER HOUR

\$5.80
 +24.18
 +18.81
 +39.21
 +27.44
 +19.07
 +31.62
 +14.80
 +26.02
 +17.44
 +31.22
 +18.18
 +22.07
 +13.77
 +29.16

COST-BENEFIT ANALYSIS

Wisconsin Department of Transportation
DT2233 2/2007 Ch. 84 Wis. Stats.

Program Type - Code <input type="checkbox"/> St Hwy Rehab, Design - 3031 <input checked="" type="checkbox"/> St Hwy Rehab, Constr - 3033 <input type="checkbox"/> Majors, Design - 3021 <input type="checkbox"/> Majors, Constr - 3023 <input type="checkbox"/> Other (Describe below)					Rates	Updated	1/27/2009
Project ID	Highway	County	Region/Bureau	Work Order No.			
Project Description (Limits, type of work not noted in Improvement or Program Type)							
Improvement Type <input type="checkbox"/> Bridge Rehabilitation <input type="checkbox"/> Expansion <input type="checkbox"/> Reconditioning <input type="checkbox"/> Resurfacing <input type="checkbox"/> Bridge Replacement <input type="checkbox"/> Pavement Replacement <input type="checkbox"/> Reconstruction <input type="checkbox"/> Other (Describe below)							
Does WisDOT perform this type of work in-house? <input type="checkbox"/> Yes <input type="checkbox"/> No If the answer is no, do not continue with comparison and explain below							

Engineering Tasks	WisDOT			Consultant		
	Hours to Complete Task	Average Cost/Hr	Total Estimated Amt for Task	Hours to Complete Task	Average Cost/Hr	Total Estimated Amt for Task
Construction Contract Admin		\$65.37	\$0.00		\$71.88	\$0.00
Construction Engineering		\$70.49	\$0.00		\$81.38	\$0.00
Construction Inspection		\$62.02	\$0.00		\$72.49	\$0.00
Construction Materials		\$71.84	\$0.00		\$71.39	\$0.00
Environmental Impacts		\$80.90	\$0.00		\$88.83	\$0.00
Operations Activities		\$86.31	\$0.00		\$86.79	\$0.00
Project Management		\$84.12	\$0.00		\$89.70	\$0.00
Public Involvement		\$83.01	\$0.00		\$86.55	\$0.00
Railroad Coordination		\$68.36	\$0.00		\$86.79	\$0.00
Real Estate		\$88.44	\$0.00		\$86.79	\$0.00
Soils and Pavements		\$83.71	\$0.00		\$86.79	\$0.00
Structures		\$78.59	\$0.00		\$84.82	\$0.00
Surveying and Mapping		\$61.92	\$0.00		\$73.07	\$0.00
Utility Coordination		\$69.27	\$0.00		\$84.03	\$0.00
Task Totals	0	\$0.00	\$0.00	0	\$0.00	\$0.00

+6.51
 +10.89
 +10.47
 +10.47
 -0.93
 +7.93
 +0.40
 +5.58
 +3.54
 +18.47
 -1.65
 +3.08
 +6.27
 +11.15
 +14.7

WisDOT Oversight Hours				
Enter estimated hours below * Avg WisDOT Cost/Hr (per Project Management task)				
Prepare advertisement				
Conduct selection process				
Negotiate contract				
Contract administration including				



WISCONSIN DEMOCRACY CAMPAIGN

Posted: August 18, 2004

Taxpayers Fleeced as Big Campaign Donors Get Sweetheart Privatization Deal

State pays \$165,000 for job previously done by \$11-an-hour state worker; Doyle top recipient of HNTB Corp. donations

Madison – Top executives of the company the state is paying nearly \$80 an hour to maintain a road sign inventory after eliminating the job of a state employee who did the work for a fraction of that amount have made over \$140,000 in campaign donations to Wisconsin politicians in the past decade but kicked their giving into high gear three years ago, the Wisconsin Democracy Campaign has found.

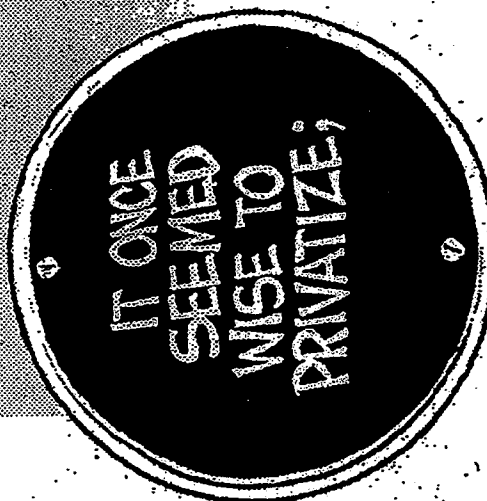
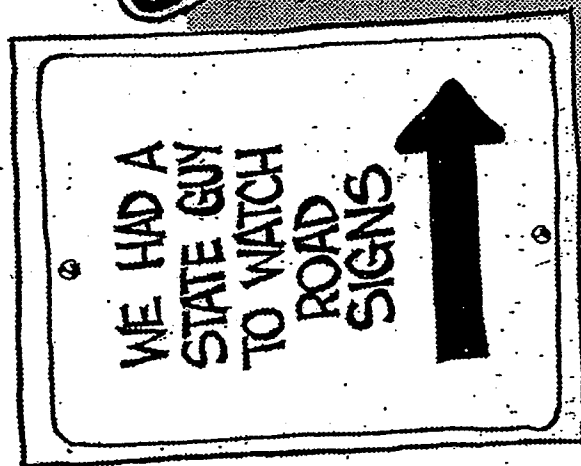
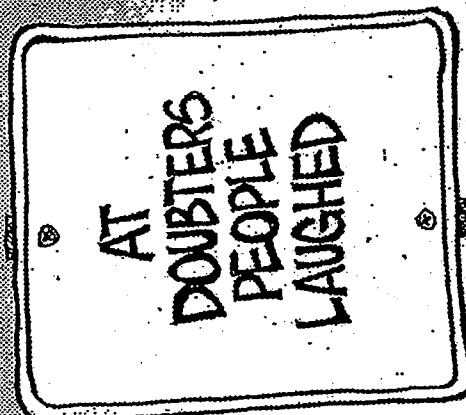
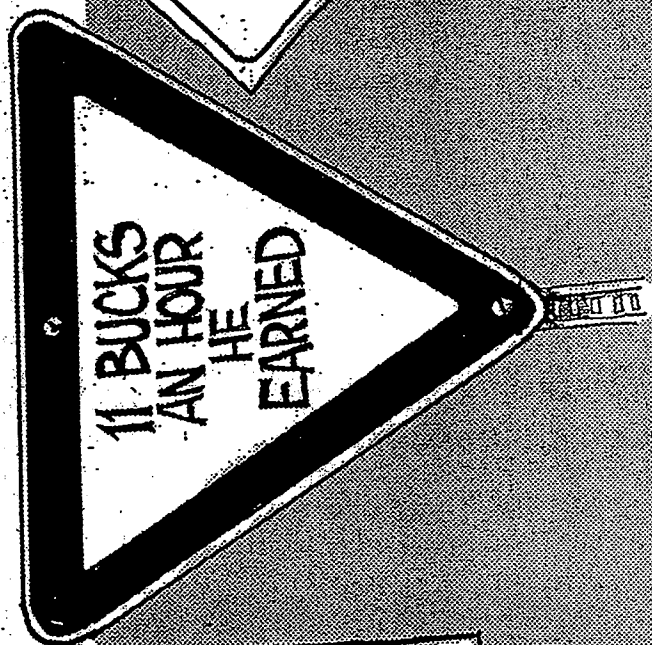
Employees of HNTB Corp. made contributions averaging a total of \$3,648 a year from 1993 to 2000, most of it going to former Governor Tommy Thompson. But executives of the firm from 12 different states got heavily involved in the 2002 race for governor, making \$29,968 in donations in 2001 and \$67,848 in 2002. The company continued making donations after the election, giving \$13,375 in 2003.

HNTB carefully hedged its bets in the 2002 race for governor, giving to four major-party candidates – Republican Scott McCallum and Democrats Jim Doyle, Tom Barrett and Kathleen Falk. The top recipient of contributions from HNTB is Governor Doyle, who received \$46,275 from employees of the company through the end of 2003. A preliminary review of Doyle's campaign finance report covering the first half of 2004 shows the governor received two more contributions totaling \$1,000 from HNTB executives during the period.

Of the \$140,374 in donations from HNTB employees from 1993 through the end of 2003 (see table below), 69 percent went to Democrats and 31 percent went to Republicans. HNTB employees located in Wisconsin gave \$76,274 or 54 percent of the donations, while company employees from outside of Wisconsin gave \$64,100 or 46 percent of the total. Out-of-state contributions came from Massachusetts, New Jersey, California, Kansas, Virginia, Missouri, Michigan, Washington, Florida, Texas and Indiana.



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MILWAUKEE JOURNAL SENTINEL





Highway Robbery II

**The Many Problems With Outsourcing Design, Engineering,
Inspection & Supervision of Federally-Funded Transportation
Projects: Increased Costs, Reduced Quality & Safety,
and Little Accountability to the Public**

A REPORT BY THE
NATIONAL ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION UNIONS (NASHTU)
DAVID KUSNET, AUTHOR
REVISED MAY 2007

Latest state software snag reveals the costs of outsourcing, by Greg Georg,
posted April 17, 2008, <http://www.jsonline.com/story/index.aspx?id=740741>

The Journal Sentinel recently reported that the Integrated Business Information System, a project of the governor's Accountability, Consolidation and Efficiency initiative, is to be delayed for at least a year ("Another state software project runs into snags," April 12).

As the article pointed out, IBIS is only the most recent in a string of outsourced computer projects to be delayed under the ACE initiative. And as is the case with all of the technology consolidation failures that came before it, this waste of millions of taxpayer dollars was brought to you by an outsourced private contractor.

As in the past, Wisconsin taxpayers have had to foot the bill for an ineffective technology consolidation project. As in the past, the state has watched as the total costs increased over the life of the project while the projected savings disappeared into cost overruns or a failed project. As in the past, the state has been forced to delay (and potentially cancel) a project on which taxpayers already had wasted tens of millions of dollars.

But let's not pretend that the catastrophe that is outsourcing ends there. At least three major privacy breaches involving Social Security numbers in a little over a year, shadowy real estate kickback schemes and irresponsible subcontracting top the list of outsourcing's toll on Wisconsin - all with a complete lack of accountability and all at taxpayer expense.

State employees are no doubt the group hardest hit by the outsourcing frenzy. In addition to the outsourcing fallout suffered by their fellow Wisconsin citizens, state employees have been disempowered in the workplace (stories abound of employees being kicked out of meetings when they question the efficacy of outsourcing), forced to relocate offices several times over, forced to work under hiring freezes that increase their workload or have their job disappear altogether.

Yet in the public discourse on wasteful government spending, the focus is often on state employees. The public is presented a dramatically incomplete and misleading picture of state employee salary expenditures. Each year, the State of Wisconsin spends tens of millions of dollars on consultants and contractors, such as those working on the IBIS project. Little is known about the quality and value of these services until they make headlines. In fact, because of outsourcing practices, the state has no way of even knowing how many people they employ.

Unknown thousands of individuals work for the state, but they officially are the employees of a private company. At the very least, taxpayers deserve to see the complete picture on state salary expenditures. They deserve to know how much the state is paying outsourced employees.

It's time that someone holds the State of Wisconsin accountable for its irresponsible outsourcing policies. The definition of insanity is doing the same thing over and over and expecting different results. By now, one would hope that the state has gotten the message that the privatization embodied in the ACE initiative isn't a solution to inefficient government spending.

Greg Georg is a state employee and president of the Wisconsin Professional Employees Council, AFT-Wisconsin Local 4848.

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Politics, Cronyism Beset Our Civil Service System

The Capital Times :: EDITORIAL :: A6

Thursday, March 2, 2006

BETH L. COX

I was saddened, but not surprised, to hear that a career civil servant in the state Department of Administration had been indicted on charges of fraudulently manipulating a bidding process. Allegedly the employee's motive was to politically benefit her superiors, who are political appointees.

I don't know whether Gov. Doyle and his staff were involved in the specific actions leading to this indictment, but I do know that it doesn't really matter. This bidding scandal is simply the natural and logical product of a politicized, crony-laden civil service in which the term "public interest" is a quaint anachronism.

But it wasn't always so.

I started working for state government in the mid-1970s as a budget analyst in the Department of Administration. When I left state government in the 1990s to pursue a career in law, I was a career executive and had been a staffer in or administrator of several programs. During that 20-year period I watched the erosion of the professional, nonpartisan civil service that I, and most of us, had once been proud of.

The politicization of Wisconsin civil service began under Gov. Pat Lucey in the 1970s but was completed (some would say perfected) by Tommy Thompson.

In the 1970s, Lucey instituted what is known as a Cabinet form of government. Until then, most state agencies were run by commissions. Commission members were appointed by the governor and the Legislature. Neither the governor nor the Legislature had a direct line into the agencies. The agencies were staffed, at the highest levels, by civil servants who had worked their way up the professional ladder. Generally, these civil servants were experts in their field; they knew their programs. Was the system cumbersome and slow to change? Yes. But it was also highly professional, and perhaps most important, it was nonpartisan. Line staff knew that their job was to prepare independent analyses of policy choices based on data, not feelings and not politics.

Lucey was an innovative and intelligent governor. But he was also impatient with the admittedly moss-backed career civil servants who often found reasons not to implement his programs or directions.

So, with legislative approval, he converted most state agencies to

Cabinet agencies. The commissions were abolished and were replaced by agency heads whom the governor directly appointed. These people served at the pleasure of the governor. And the old saying was, if you serve at the pleasure of the governor, you keep the governor pleased.

By the time Lucey left office, the governor appointed most of the agency heads. But the remaining cadre of civil servants were not, at that time, politically appointed.

Tommy Thompson changed all that. By the time he left office, Thompson had extended the governor's reach deep into the civil service: Not only were agency heads appointed by the governor, but also division administrators and some bureau chiefs. By the time I left state government in 1994, I was required to get approval from the politicians higher up before I could hire a head housekeeper at one of our state institutions.

Is there a problem when politics intrudes into the civil service? You bet. When narrow political interests replace the general public interest (there's that quaint term again), we, the public, suffer in two major ways. First, bad government costs more. Second, and more important, real people in need don't get served when political hacks run the programs we depend on. Remember Katrina?

So to me, it doesn't really matter whether the Doyle administration was actively and affirmatively involved in this particular bidding process. You see, they didn't have to be actively involved. The atmosphere inside state agencies has become so polluted that overt political influence peddling is not even necessary anymore. Civil servants don't need to be told how to please their political bosses -- they just know.

* If Doyle is interested in restoring some credibility to state government (something he has not shown much interest in to date), he can start with the mundane and, yes, boring task of structural civil service reform. Like the related need for substantive campaign finance reform, it may not be sexy, but it's absolutely vital.

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My name is Greg Georg, and I'm president of the Wisconsin Professional Employees Council, or WPEC, a labor union representing over three thousand professional public employees throughout state agencies and the UW System.

WPEC supports SB 447 because it provides much-needed reforms to the state's outsourcing practices.

In 2005, the Wisconsin Legislature passed Act 89, which required state agencies to complete a cost-benefit analysis (or CBA) comparing the costs of state employees and private contractors on any potentially outsourced project over \$25,000.

While Act 89 was a step in the right direction, WPEC members are witness every day to the many ways in which the bill falls short.

- Despite the fact that the vast majority of CBAs reflect a cost savings with state employees over private contractors, agencies will still outsource the project rather than assign the work to a state employee. From January 1, 2008, through September 2009, WPEC received 211 Cost Benefit Analyses. Of these CBAs, 153 were outsourced to private contractors despite the fact that state employees could have performed the work more cost-effectively and more efficiently. Ultimately, the state could have saved \$2.7 million if these projects had been kept in house.
- After thoroughly reviewing many of these CBAs, we believe that even more savings could have been achieved had the projects not been outsourced. Many of the CBAs assume overhead costs for state employees but not for private contractors, despite the fact that the contractors would use the same state resources as state employees.

In addition to cost savings that would be realized by outsourcing reform, the citizens of Wisconsin will benefit from the high value of a stable and accountable state employee workforce. Unlike private contractors, state employees are a valuable long-term investment in the infrastructure of our state. Building our workforce keeps accountability, efficiency and competence in the public sector, and keeps jobs in Wisconsin.

The challenges posed by outsourcing state employees' work are many, and the reforms proposed in SB 447 will make important strides in addressing these challenges. On behalf of the thousands of professional public employees represented by WPEC, I urge you to pass this important, forward-thinking legislation.

Thank you, and I will now be happy to address any questions you may have.

